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FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/07
 SPONSOR King LAST UPDATED 2/14/07 HB 875
 SHORT TITLE Torrance County Emergency Loan Retirement SB _____
 ANALYST Propst

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$381.0	Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

HB 875 appropriates \$381.0 from the General Fund to the Local Government Division of the Department of Finance and Administration to retire the emergency loans made by the State Board of Finance to Torrance County.

FISCAL IMPLICATIONS

The appropriation of \$318.0 contained in this bill is a non-recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the General Fund.

SIGNIFICANT ISSUES

Historically, smaller counties have experienced difficulty in meeting the high cost of incarcerating prisoners. Torrance County is no exception. In order to continue jail operations the County was forced in 2004 and 2006 to obtain emergency loans totaling \$381.0 from the State Board of Finance. In January, 2005 the County imposed both increments of the Corrections Gross Receipts Tax, however, the County continues to struggle to meet incarceration costs.

Torrance County's repayment plan calls for the first installment in the amount of \$82,750 due July, 2007. DFA reports that, although Torrance County is keeping up with their current incarceration costs, it is more than likely that the County will not be able to meet their first Board of Finance loan installment.

ALTERNATIVES

In addition to Torrance County, other smaller counties have also borrowed money from the State Board of Finance to pay for escalating incarceration costs. The counties are forced to do this in order to continue operating and meeting required services to county citizens. In all likelihood, these counties do not have the recurring funding sources to meet these recurring costs. A more appropriate remedy may be to appropriate recurring funding to smaller counties, such as proposed in SB 410 or HB 316

WEP/nt